IT'S OUR MONEY

The Economics Of The Coming Crisis

Gary Allen, *a graduate of Stanford University and one of the nation's top authorities on civil turmoil and the New Left, is author of* Communist Revolution in the Streets*—a highly praised and definitive new volume on revolutionary tactics and strategies, published by Western Islands. Mr. Allen is active in anti-Communist and other humanitarian causes and is President of the Foundation for Economic and Social Progress. A film writer and journalist, he is a Contributing Editor to* American Opinion. *Gary Allen lectures widely.*

■ Americans have been slickly persuaded that the entire subject of money is much too complicated for them — standard practice for the charlatan of finance whether bilking a naive widow or a whole nation. Few subjects have been made to appear more tangled, more confused, than money. So much mystery and ignorance surrounds the subject that it has produced among us more popular lunacy and addled intellectual gymnastics than one might expect from a nation of three-toed Caribs with thumbs on their feet.

I

Most of our citizens become so involved in arguing over various governmental money policies (tight money *versus* easy money, high interest rates *versus* low interest rates, *etc.*) that they lose sight of what money really is. Until one understands the primary economics of money, he will be hopelessly confused in attempting to understand the sophisticated convolutions of those international economic events about which we are hearing so much and which so vitally concern each of us.

Thousands of commodities have at one time or another served as money—things such as tobacco in colonial Virginia, copper in ancient Egypt, beads, nails, tea, fishhooks, even cigarettes. As every school child learns, the first trading was done by barter — trading one good for another. When a man found he couldn't trade directly for what he wanted, he might trade for something else and in turn trade that good for the desired product. Individuals thus accepted commodities in trade which they didn't intend to use personally, so long as they were confident such goods could ultimately be traded for something useful. Money, then, has been from ancient days a commodity with *inherent* value that is accepted in exchange by individuals who intend to trade it for something else.

As commerce developed, two precious metals—gold and silver—gained worldwide prominence as the two most useful money commodities. This did not happen because some tribal legislature decreed it, or because of the arbitrary whim of a king, but because gold and silver were so valuable for reasons inherent in their use that one could be sure there would always be a demand for them. No one ever had to fear that his gold or silver might suddenly become as worthless as, say, paper money in the Weimar Republic of 1923. They are called "precious metals" for a good reason. Their great durability has made them highly valuable for many pur-

poses. Today we use them in our vast electronics industry, machine-tool work, space technology, dentistry, jewelry and ornamentation, and for a myriad purposes vital to our productive interests.

Gold and silver, therefore, are inherently valuable and not about to go out of favor with the world's population. If you own gold or silver, it will never be worthless since there is a ready industrial market for both commodities.* Naturally, if the good called "money" didn't have any tangible value of its own, its worth would depend upon mere politics, and so one would be hesitant to accept it in exchange for anything of known value.

Okay, so why do we think of money as being pieces of paper? Because, simply, men of commerce need a convenient method of handling and conveying gold and silver.

Warehouses (the forerunners of modern-day banks) were at first used to store gold conveniently and safely. An individual who paid to have his gold stored at such a warehouse would receive a receipt, a claim check on his gold, just as when you store your valuable automobile in a parking lot and get a claim check which you present to claim that automobile when you return. Soon commercial interests found it more convenient to trade these receipts than to cart their gold about the countryside. The receipts, of course, were valuable only because the gold was readily available at the warehouse.†

As the receipt system became more complicated it became easier and more tempting for some warehousemen to attempt to use it to their financial advantage. For example, one might easily issue more receipts than its gold stock would justify. When an extensive breach was suspected, the warehouse customers would rush to turn in their receipts and withdraw their gold: Thus the well known "run on the bank," with those last in line losing their savings.

Governments have always taken an interest in money and banking — often supported by unscrupulous bankers who have made enormous profits through alliance with politicians. Governments have throughout history realized that when you control the money, you control the people. To control that money, politicians developed "legal tender laws" providing that a *government's* receipts (or paper money) *must* be accepted in payment of any debt or obligation, no matter how much or how little individuals may value such markers.

Thus politicians have nearly always sought to have citizens think in terms of their own national money—such as American dollars, French francs, or German marks§—rather than in terms of that universal money which is gold or silver. This permits the governments' credits to be substituted for the precious metal, enabling them to hold less bullion than the face value of certificates outstanding, inflating the currency by the deficit (that is, making it worth less in terms of the reserved gold).

"Legal tender" not backed by gold or silver is backed only by the glitter of the promises of politicians — opening the door to total inflation, *i.e.* total worthlessness of the government currency as expressed in terms of gold or silver. Nearly every government in history has eventually given in to the temptation to start printing paper money only thinly backed by gold. They have paid bills with these fraudulent receipts and

* Industrial demand for silver, for instance, has escalated to the point where the world is now consuming silver at twice the rate it can be mined, the difference for the past ten years having been made up out of the U.S. Treasury.

† Added to the circulating receipts were coins, minted from precious metals, to serve in smaller transactions.

§ Even these names at one time meant precious metal. For instance the British *pound sterling* originally signified a pound weight of silver. The word *dollar* comes from the German word *thaler* which was a silver coin widely circulated in America and minted by a Bohemian Count in the Sixteenth Century.

citizens have accepted them because of the "legal tender" laws. Inevitably such governments are tempted to further inflate the currency and spend themselves into destruction by printing so much unbacked "paper money" (thus: inflation) that the nation's currency becomes worthless. This prompts individuals to seek to exchange their paper money for real gold. Historically governments have responded by confiscating all gold and making it a crime for private individuals to own gold bullion. This happened in the United States in 1934.

Since our government seeks to pay its bills with unbacked printing-press money, it naturally doesn't want people to think of money as a *commodity* (gold and silver) which only *serves* as a medium of exchange. Such inflationary governments as ours thus promote two common definitions of money: First, money is said to be (not serve as) the medium of exchange; and, second, money is described only as the *representation* of wealth.

In 1933, William Gouge wisely defined money as follows: "Money is not . . . merely the representation of prosperity. Money of gold and silver is property—is wealth. A hundred dollars in silver can no more be considered as the representative of a hundred dollars worth of flour, than a hundred dollars of flour can be considered as the representative of a hundred dollars worth of iron. Each is the equivalent of the other; but each is real wealth—not a mere symbol of wealth." You see, gold and silver money functions successfully as a medium of exchange *because* they are real wealth.

In order to saddle America and other countries with the collectivism and governmental power bred of control of their total national wealth through total control of their money and its supply, the International Communist Conspiracy and its Insiders early sought a rationale for substituting paper for our real money. This rationale was found in the works of John Maynard Keynes, a homosexual English economist and member of the Fabian Socialist Society who boasted that his theories would prove the "euthanasia of capitalism." Keynes' schemes have now been palmed off on two generations as the "New Economics."

Since Lord Keynes' use of State control to manipulate the economy was called "new," most Americans (curiously superstitious about economists) didn't

Keynes opened the door to inflationary suicide.

compare it with old failures; but, there was little that was "new" in the "New Economics" except for its bag of pseudoscientific terminology. It provided nearly the same tortured rationalizations for divesting economic sovereignty from the individual citizen which had been the trump of demagogues and tyrants since long before Joseph's economics helped to bring the Pharaoh to fury and Egypt to ruin. As the economist Henry Hazlitt has said in his point by point dissection of Keynes' *General Theory of*

Employment, Interest and Money:

> *I have been unable to find in it a single important doctrine that is both true and original. What is original in the book is not true; and what is true is not original. In fact . . . even much that is fallacious in the book is not original. . . .**

Nevertheless, the Keynesian theory has become the dominant economic hocus-pocus of our age, and has been praised and adopted by such political luminaries as Adolf Hitler, Benito Mussolini, Franklin D. Roosevelt, Dwight Eisenhower, John F. Kennedy, and Lyndon B. Johnson. It has totally wrecked the economics of most of Africa and half of Latin America; it has kept the undeveloped nations underdeveloped and it has been used to con the American people into exporting socialism through such horrors as the Alliance for Progress and A.I.D. Bankrupt Britain is a good example of applied Keynesianism.

The monetary policy of the "New Economics" is essentially an elaborate form of the ancient monarchist practice of coin clipping. It *requires* planned inflation — studied manipulation of the economy using printing-press paper money, the product of intentionally planned deficits. The Keynesian argument, sold like packaged Utopia to bucolic addle-pates with an emotional itch, is a con game based on the theory that by the time scheduled inflation catches up with its perpetrators the country fair will be over and the bumpkin will be too confused, embarrassed, or stupid to call the Sheriff. The idea of "spending our way to prosperity" is certainly appealing to the foolish, ignorant, or naive, as is any idea that one can dance without ever having to pay the piper.

The "New Economics" propounds the theory that the government planners can assure perpetual prosperity by *managing* the nation's economy. If the need is to pep things up, planners put printing-press money in circulation through government spending programs financed by deficit (exchanging public spending for private spending, and buying votes). When the "economy overheats" (as the planners describe inflation), the government will theoretically cut spending and raise taxes and interest rates. In practice, the Keynesian theories have proven to be all accelerator and no brake. The politicians want to keep on buying votes with government spending and avoid the unpopular methods of heightened taxes and interest rates which in theory are used to cool off the "overheated" economy. Therefore, in practice, the spending goes on and on and on to disaster. Whether taxes go up or down, government spending increases, deficits are theorized as beneficial, and inflation steals from the people until the economy crumbles.

II

America's widely discussed *adverse balance of payments* is another matter confusing to many of our citizens. What that phrase means is that we are sending more dollars abroad than foreigners spend on U.S. goods. More specifically, it means that foreign countries are collecting dollars which the U.S. Treasury will convert to gold at $35 an ounce. We have been promised faithfully each year for the past eight years by the Secretary of the Treasury that the balance of payments problem would be resolved within a year or, at the most, two years. Instead the problem has consistently worsened. The accumulated deficit at the end of 1966 was $33 billion. And the fourth quarter of 1967 was the worst in eight years. Foreigners have converted more than $12 billion dollars into gold since 1952 and have reduced the U.S. gold reserve to $11 billion (really only

* *The Failure of the "New Economics,"* Page 6.

$8 billion since $3 billion of what we are calling "ours" belongs to the International Monetary Fund and has been loaned to us).

Two basic factors cause the adverse balance of trade, and both are the responsibility of a Government which is selling out the American economy: First costly military and foreign aid; and, second, domestic inflation. Our private balance of trade is *in our favor;* that is, the American economy continues to produce more goods for sale abroad than are imported for American needs. If exports that are subsidized by the government under the foreign and military aid programs were deducted from the so-called surplus the imbalance would most likely disappear. In short, the gold drain which is bankrupting us is of the making of Congress and the Administration which continues to tax America to pour our wealth abroad. This fact also emphasizes why the Communists want to involve us in a costly war half-way around the world in Vietnam.

Foreign aid, including interest on the money we have borrowed to give away, now costs the American people more than $10 billion a year. Congressman Otto Passman (D.-Louisiana) calculates the total cost of foreign aid since 1946, including interest the government has paid on money borrowed to give away, as $152.5 billion. Passman also charges that the foreign aid program has been "fragmentized" to hide the vast total of the bill from the people.

This aid flows from sixteen different "spigots" and each year Congress is asked in more than a dozen items of proposed legislation to increase the spending of the dispensing agencies. The public is generally only aware of the President's annual request for appropriations under the Foreign Assistance Act. Irresponsible Washington reporters write about the annual "Foreign Aid" bill of $3 billion or less as if it were the sum total of our foreign aid.

While our liquid liabilities (claims to our gold) held by foreigners exceed $30 billion and could wipe out the remainder of our gold stock overnight, the Administration persists in the folly of doling out billions more such claims on our wealth to more than one hundred countries. The billions the Administration is forcing us to spend in a no-win war in Vietnam—instead of letting our military employ the force to get it over with—are also an important factor upon which the International Communist Conspiracy is depending in its hopes of destroying the dollar and crushing our economy.

Treasury Secretary Henry Fowler backs goldrush.

Domestic inflation (the declining purchasing power of the dollar resulting from deficit spending) further inflames the balance of payments problem as our high dollar costs of production are pricing American goods out of the markets of the world. Inflation makes U.S. goods seem less attractive to foreigners and foreign goods more attractive to U.S. consumers.

Our balance of payments deficits have been financed in part by the payment of gold to foreigners and in part by the increase of our indebtedness to foreigners. In order to encourage other nations not to bring in all their dollars as gold claims, we are paying high interest rates on dollar holdings as a bribe not to claim the gold (which they are doing anyway). Our dollars are being held for ransom by people to whom we *gave* them as foreign aid.

Still, our balance of payments deficit is rising faster than a Saturn rocket. Is the government going to do something about it? You bet. The Johnson Administration has just the answer: penalize the private citizen. Instead of reducing foreign aid to balance our international accounts, the government has resorted to the absurdity of restricting certain profitable private business with foreigners and taxing the purchases of American travelers. Tourists and investors are being made scapegoats for the problems created by handouts to foreigners and federal inflation of our currency.

Our private investments abroad are one of our chief sources of strength in our balance of payments. Currently we are receiving $6 billion a year in income from this source compared with an outflow of new capital of between $2.5 billion and $3 billion. By cutting the outflow of private investment abroad, we are constricting the future income from abroad. This approach to the problem is clearly self-defeating and will *increase* the balance of payments deficits.

While our government forbids its citizens to invest their money in countries where it can be used productively to earn a return and strengthen our balance of payments, it taxes the same citizens and gives away their funds as "aid" to irresponsible socialist (and even Communist) governments where they produce no offsetting earnings to help our payments balance. The only way the United States can solve the problem is to plug the dollar leaks by halting inflation through ending deficit spending at home, stopping the bulk of foreign aid, and freeing restrictions on the private economy. To do otherwise will only make the problem worse while permitting the leaders of our government to accrue further dictatorial economic powers which the Communists see as necessary to their takeover of the United States.

Rather than face reality, the government is looking to the International Monetary Fund (I.M.F.)* to pull its chestnuts out of the fire. Rather than throw off the garments of Keynesianism that produced the imbalance of payments, a "patch" is proposed in the form of "paper gold" to make the crisis "wearable" another year or two. The amazing thing is that nobody guffaws at the incredible idea that there could be such a thing as "paper gold."

This "paper gold" is an International Monetary Fund scheme to take the form of Special Drawing Rights (S.D.R.s) from the I.M.F. International bureaucrats, naturally, call the S.D.R.s "the most significant development in international financial cooperation" in many years. According to the S.D.R. plan, nations having financial difficulties would be able to borrow some foreign currencies. Borrowing limits are to be based on each nation's I.M.F. quota, which in turn is based on gold. The amount we could borrow would be less than enough to cover the annual gold losses through our balance of payments deficits and would do absolutely nothing to stop these deficits.

It is doubtful the S.D.R.s will ever come into serious use. The only coun-

* Our negotiator at the Bretton Woods Conference which set up the I.M.F. was Communist Harry Dexter White. Assistant to White at the Conference was Communist Virginius Frank Coe—subsequently appointed as a $20,000-a-year Secretary of the I.M.F., a post he held for many years before becoming an economic advisor for Red China. (Are things becoming clearer?)

tries enthusiastic about the scheme are America and Britain — two countries which are both broke and seeking relief as a result of their own easily remedied inflationary lunacy. While ignorant college Professors, one-world "Liberals," and other emotionally retarded souls may be all atwitter about a "fools gold" currency, those countries with serious claims on our gold are not in the least interested. Not, at least, until after the last raiding party has left Fort Knox as empty as Mother Hubbard's cupboard.

The S.D.R.s are only a gimmick— more paper money which will eventually have to be paid off in hard metallic gold. But, the witch doctor monetary planners would have you believe they have invented some kind of a magic potion to allow us to ease our balance of payments and permit everybody to borrow from everybody else, with nobody ever being expected to pay. That is not the way things happen in the real world.

III

IN ORDER TO extricate ourselves from the loss of our entire gold supply— America must devalue the dollar. Such a devaluation can be accomplished by raising the price of gold. At present, the U.S. Government admits there are claims of $44 billion outstanding against our $11 billion in gold reserves ($33 billion held by foreign countries and $11 billion needed to back our currency). Those familiar with such devious economic learning as elementary arithmetic will immediately note that the United States Government is bankrupt: that we need about four times as much gold as we have on hand to meet our demand obligations. The only way the United States can protect itself is to repudiate its obligations—not directly, but in the time-honored way that all governments in this same position have taken. We must now move to "raise the price of gold."

This means that our government would employ a legal maneuver which says to its creditors: We formerly agreed to give you 1/35 of an ounce of gold for each piece of paper you have upon which we printed the words *one dollar;* we have just passed a law which says we will now give you 1/35 of an ounce of gold for every *four* pieces of paper you have upon which we printed the words *one dollar.* We would thus "raise the price of gold" four times the old price of $35 per ounce to $140 per ounce. Suddenly our $11 billion in gold

Communist Harry Dexter White negotiated I.M.F.

become worth $44 billion and we are no longer broke. In government circles this is called "Devaluation of the Dollar." In business it would be called defrauding your creditors, or repudiation of debts. It is nasty business — but we must do it or suffer ugly consequences.

The dollar price of the pound sterling was recently reduced (devalued) from $2.80 to $2.40. Britain's devaluation was relative to the dollar, though not relative to gold directly. By their action, however, the British automatically de-

valued the pound in terms of gold to whatever extent, and so long as, the U.S. dollar is based on gold. Indirectly, the British devaluation raised their currency price of gold by one-seventh. If every country raised the price of gold simultaneously, exchange rates between currencies would remain unchanged. Every currency would be devalued in terms of gold, but not in terms of each other.

Official denials that a currency will be devalued are usually most vehement just before the event. This is done to stop the creditors from engaging in a run on the bank (treasury), and the politicians justify their lying as being "in the public interest" inasmuch as it may dissuade some holders of claims on a country from presenting them until the country can partially repudiate them by devaluing.

British authorities asserted repeatedly during recent months that the pound would not again be devalued until finally, in November 1967, the pound *was* devalued. Britain prolonged the agony of devaluation, as we will undoubtedly attempt to do, through its program of austerity which temporarily restored confidence in the pound by suggesting an anti-inflationary domestic policy. When this "austerity program" proved a phony, producing continued inflation and a fifty percent increase in unemployment, Great Britain faced much the same situation as America faces. Prior to devaluation she had net liabilities of $8.4 billion, which was 2.6 times her reported holdings of $4.4 billion of gold and convertible currencies.

Every time a foreign nation devalues and America does not follow suit, we lose. An ounce of gold is worth more rasbukniks (or whatever the devalued currency is called) but it is still worth only $35 American dollars. Thus it pays to get U.S. gold to trade in the market where the price of rasbukniks makes goods cheap. The immediate practical effect of British devaluation in terms of our dollar was to change the relative prices of things for buyers in the two countries. A British car selling for a thousand pounds sterling formerly cost a U.S. buyer $2,800. After devaluation the car cost $2,400. A U.S. car selling for $2,800 formerly cost the British buyer a thousand pounds. After devaluation, the car cost 1,160 pounds sterling. This stimulates British exports to America and limits American exports to England.

Like our own politicians, Prime Minister Harold Wilson refused to acknowledge the real causes of Great Britain's balance of payments problems which forced devaluation. Mr. Wilson blamed the "chance of world events" and "successive waves of speculation against sterling" (in other words, those who were attempting to protect themselves against losses that would result from devaluation). He did not mention his Party's continuous pursuit of inflationary and socialist policies which had debilitated any competitive advantage of British industry and left England's international finances in shambles. The wages of socialism are devaluation, unemployment, and financial chaos. The Keynesian socialists' planned inflation leads always to heightened government controls and new infringements on the economic liberty of any people afflicted with it.

IV

AMERICA'S GOLD OUTFLOW, devaluation, orbiting national debt, and increases in the cost of living are all largely products of inflation. Yet inflation is as misunderstood by the public as is money. Most of our citizens mistakenly blame inflation on the so-called "wage-price spiral"—which is merely another *effect* of inflation, not its *cause*. No, inflation is produced simply and only by an artificial increase in the supply of fiat money in circulation. If there were no

artificial increase in the volume of money circulating, it would be a physical impossibility to have a general wage-price spiral. You can't fill a quart glass with a pint of milk.

In order to understand inflation and how it increases the prices you must pay at the store, imagine the economy as an auction. If suddenly everybody at the auction is given more paper money to spend, this does not increase the amount of goods for sale: The buyers with more paper money to spend simply bid up the price of those goods available. And so it is as the growing amounts of phony money circulate through our economy, which in itself is simply a giant auction with millions of buyers and sellers.

It is much easier to understand inflation when it is called by its true name, "counterfeiting." For all inflation amounts to is the printing of counterfeit currency for which there is no real money (gold or silver) supporting its value.* If you try this personally, they will put you in the crow-bar motel when they catch you; but, when the Administration does it, it is the "New Economics." Instead of being a crime, it is lauded by the pseudo-intellectuals and conspirators promoting our economic ruin as "priming the economy."

Who makes up the loss? Those whose incomes will not go up as a result of the inflation, most notably widows, pensioners, holders of life insurance policies, savers, and those Americans who are on fixed incomes—the very people politicians forever claim to be helping.

The government inflates the money supply partially by printing federal reserve notes (the currency you carry in your wallet), but the bulk of it comes through a more sophisticated way of doing the same thing. Our government has a euphemism for counterfeiting called *deficit spending:* The deficits (increases in our national debt) are turned into credit (money) through the use of bonds and treasury notes. While it seems incredible that intelligent people would adopt a system based on debt money in which the more money the government spends the more it has, that is precisely what it amounts to.

In 1959, when he was Secretary of the Treasury, "Liberal" establishmentarian Robert B. Anderson bluntly spelled out the techniques of inflation:

> *Now suppose I wanted to write checks of $100 million starting tomorrow morning, but the Treasury was out of money. If I called up a bank and said, "Will you loan me $100 million at 3.5% for six months if I send you over a note to that effect?" The banker would probably say, "Yes, I will."*
>
> *Where would he get the $100 million we wish to credit to the account of the U. S. Treasury? Would he take it from the account of someone else? No, certainly not. He would merely create that much money, subject to reserve requirements, by crediting our account in that sum and accepting the government's note as an asset. When I have finished writing checks for $100 million, the operation would have added that sum to the money supply.*

Anderson went on to admit that this would be the same as calling the Bureau of Engraving and Printing and saying, "Please print me up $100 million worth of greenbacks† which I can pay

* A cartoon from the *New Yorker* once depicted two counterfeiters proudly examining their work and one is saying, "This neighborhood is about to get a shot of badly needed new purchasing power."

† There is one difference — the interest. The government pays interest on money created through banks but it did not do so on "greenbacks" (unbacked currency printed during and shortly after the Civil War. This has led to a school of monetary philosophy which wants all U.S. "money" to be in the form of valueless greenbacks printed and issued by the federal government. This group

out tomorrow." (It's all so very simple!)

Anderson, and his conspiratorial predecessors and successors have, needless to say, made an enormous number of such calls to friendly bankers during the past three decades. And there can be little doubt that they know precisely what they are doing to our economy. Such irrepressible spenders have in fact more than quadrupled the money supply since 1940, producing a wage-price spiral which has shrunk the purchasing power of the 1940 dollar to forty-one cents. Actually, our purchasing power would have been shrunk to a mere twenty-five cents with a quadrupling of the money supply except that our increase in productivity has somewhat offset the effects of the inflation forced upon us by the Far Left. Had Leftist Administrations not inflated the dollar, it would buy much more than it did in 1940 because of our increase in productivity. Inflation now, however, accounts for more than half of the increase in our Gross National Product.

The *Chicago Tribune* of October 29, 1967 reported that the Johnson Administration is destroying our money at the phenomenal inflationary rate of twelve percent a year. The Administration admits to inflating $2 billion a year via currency (the rest is done through credit), but noted Canadian analyst C. V. Myers maintains that the Treasury is now printing currency at the rate of $6 billion mini-dollars a year. The *Chicago Tribune* calculates that if the next thirty-five years produce a duplication of the past thirty-five years, the year 2000 will find the current federal debt of $370 billion increased to $6 trillion. What, then, would be the cost of a loaf of bread? How good would be the retirement features of your "permanent" life insurance policy? Of course, these questions are purely academic: At the current rate of inflation our economy will collapse into the hands of the Insiders long before the year 2000.

During 1967, according to Labor Department figures, the escalation of stage money pushed the cost of living up 4.5 percent. The true figures are undoubtedly higher. Every housewife can tell you that her calculations make the Labor Department's claims highly suspect. The Johnson Administration's deficit for the fiscal year 1968, ending this June thirtieth, may reach $29 billion. That means $29 billion in new counterfeit money. Add in the $6 billion in unbacked printing-press currency and you get an increase in the money supply of $35 billion in one year. That means that our previous money is worth $35 billion less, in terms of what it will buy. At this rate the $6 trillion figure projected for the year 2000 becomes a serious *understatement*.

The Administration's ever-increasing volume of unbacked paper-substitutes for gold makes devaluation of the dollar inevitable. Inflation pushes interest rates higher as people are less willing to save or lend their money. The government then must pay higher interest rates to finance the debt. The higher the rate of interest the faster the national debt grows. The more inflation we have, the higher interest rates go. This pushes government spending even higher. Imports are thus increased and exports decreased, inflaming the balance of payments problem and draining our gold.

When inflation reaches a rate of four and five-percent a year it begins to feed on itself, as people rush to buy things they want before the price be-

---

holds that it is perfectly all right to inflate into oblivion, as long as we don't pay interest to bankers along the way. As Professor Hans Sennholz has shown, this theory that money is strictly a medium of exchange, and not a valuable *commodity* performing as a medium of exchange, is foolish. Any idea that the politicians could be restrained from inflating to infinity should have been disproved by the events of the past thirty years in which the "legal" limit of the national debt has been regularly raised by Congress.

comes prohibitive. If allowed to continue, this vicious circle can only result in the kind of runaway inflation experienced by Germany in 1923 when postage stamps to mail a letter cost a billion marks. When the runaway inflation being forced on America reaches its peak, you may be able to cash in your life insurance policy for enough to buy a hamburger at MacDonalds.

Lenin contended that the United States could be forced to spend itself into a revolutionary crisis. "The best way to destroy the capitalist system," he wrote, "is to debauch the currency." Lord Keynes understood this principle and, on Page 235 of his book *Consequences of Peace,* even quoted Lenin on destroying capitalism through debauching the currency. Since it was Keynes who popularized the current practice of inflating our national currency, few reasonable men will doubt that Keynes and his more intelligent "apostles" in "our" government have known very well what they are promoting.

V

IN ORDER TO stop the run on our gold, President Johnson should have announced that he would balance the budget by severely contracting all non-defense spending, by eliminating foreign aid, and by raising the price of gold to between $105 and $140 an ounce. Instead he went in the opposite direction — positively ensuring a monetary crisis in America.

The man *knows* what he is doing.

Mr. Johnson's $186.1 billion budget for fiscal 1969 is, despite all the rhetoric about austerity accompanying it, a Santa Claus grab-bag which can only provoke further inflation. Of the twelve major expenditure groups listed by function, all except the space projects provided for *greater* funds. The budget even calls for the hiring of 42,600 more non-defense employees by the government. On top of all this, expenditures are understated through fraudulent accounting. Senator John Williams (R.-Delaware) maintains that the President's new bookkeeping has "but one purpose: and that is to deceive the American people as to the serious state of our financial condition."

The Administration's answer to our fiscal problems is not to cut spending, but to shift the burden for its own guilt to the private citizen through an increase in taxes. This is nothing less than a bare-faced attempt to transfer more purchasing power from the hands of the American people to their ever more powerful Big Government. The Insiders running our government have pumped billions of dollars of stage money into our economy and now seek to make a desperate *show* of avoiding the inevitable consequences. Increasing our taxes while continuing an expansive monetary policy is so far from a solution that it can only be called criminal neglect or outright *treason.* It is like applying the brakes on a speeding automobile while pressing the accelerator to the floor; you don't do it unless you are intentionally trying to destroy the automobile.

Curiously, the most significant aspect of Mr. Johnson's economic proposals has caused virtually no comment. I refer to his unbelievable demand for the removal of the twenty-five percent gold backing from American currency. This proposal has already been approved by the Senate; and, by the time you read this, unless the House shows more sense, the gold cover will be gone. Nothing more clearly illustrates the fact that our elected politicians know nothing of real economics than the fact that this revolutionary proposal has to date caused no whisper of protest from the exalted solons.

Secretary of the Treasury Henry Fowler's plea before the House Banking Committee to remove the twenty-five percent gold backing (we have

roughly $44 billion of currency in circulation which requires $11 billion in gold to back it), was not mere stupidity. Fowler is *not* a stupid man. He knew very well what he was proposing. That, alas, is the frightening part.

The "reasons" given Congress for removing the gold cover, our last restraint against total destruction of the dollar and the consequent economic holocaust, were: (1) a twenty-five cent gold backing for every paper dollar is "outmoded"; (2) repeal of the backing is necessary to maintain "world confidence in the dollar"; (3) such a move will prove to the world that we will redeem *all* dollars at $35 an ounce; (4) we can't print any more "pocket cash" if the cover is not removed.

Of course, what a refusal to remove the backing would mean is that the annual $2 billion inflationary increase in currency would have to be stopped. It would have to be stopped because, if we persist in requiring a twenty-five percent backing in gold, we *can't* print any more of this currency for lack of gold. This means that the government would have to stop inflating by fiat currency. Even though the biggest part of inflation comes from inflation of credit, currency is still the medium of exchange.

No wonder the Treasury Secretary is so extremely eager to drop the twenty-five percent gold backing. Fowler's words to the Banking Committee amount to this: "We are going over the cliff anyway, but if we free the gold it won't be quite so soon."

If gold is "outmoded," as Mr. Fowler and the "New Economics" boys contend, why does every country in the world, except the United States of course, want it? Why *are* the other nations of the world attacking our "outmoded" gold supplies? If gold is "outmoded," why aren't American citizens allowed to own it?

The idea of gold as "outmoded" is simply ludicrous. Russia, for example, *mines* gold at a cost of *$105 an ounce* and uses it in world trade. The late Major George Racey Jordan, who during World War II headed our primary base for shipping Lend-Lease equipment to Russia, claimed that during the War, large amounts of American gold-mining equipment from closed California mines were shipped to the Soviets. Russia knows, even if we do not, that gold-mining equipment is war material; you can't fight a war without gold. The *real* world is run by the golden rule: He who has gold, rules!

Fowler's claim that removing the gold cover would maintain world confidence is so absurd as to be embarrassing. Making the dollar worthless is hardly the way to maintain confidence! When the gold cover is removed there will be a stampede for our gold. It's very simple: We owe $33 billion in gold to foreigners and we only have $11 billion. There is no stampede now because foreigners have already taken all of our gold except that which backs our currency, and we cannot give the rest away until that law is repealed. There is no sense stampeding until the money is there. As soon as that last $11 billion becomes available to pay those foreign claims, it will be: First come, first served.

The theory of Fowler and the other "New Economists" is that as long as we stand ready to sell gold at $35 an ounce, no one will want it (in spite of the fact that they have already taken over $12 billion). If you were a depositor in a bank which had $33 billion in depositors' funds and a friend who worked at the bank told you they only had $11 billion left, where would you be the next morning? Of course, two-thirds of the bank's creditors will lose out. *Nobody* wants to be last in line at a run on a bank.

Fowler, William McChesney Martin of the Federal Reserve, and President

Johnson have all maintained that we will forever sell gold at $35 an ounce to foreign bankers and governments.* Let us pray that as usual they are lying. If our officials do what they say they will do, it can destroy us, and the world will certainly take the last grain of our gold supply.

VI

THE WORST THING our government can do now is to let the governments and bankers of the rest of the world strip us of gold. That is, the worst thing we can do is to follow our *current* policy. We must stop deficit spending and devalue our dollar or be stripped of the last ounce of our gold and face catastrophic economic collapse into the hands of the Insiders.

In a recent financial newsletter C. V. Myers, the highly respected Canadian analyst, gives this bleak appraisal:

> *I predict that, within a relatively short time, the U.S. will have absolutely no gold and that dollars will be a drug on the market places of the world. The dollar will be automatically devalued in relation to every other currency. A pound of tin, a barrel of oil, a pound of coffee, will cost double, or whatever, it costs now.*
>
> *The United States will be stripped of its power, will not be able to afford imports and therefore will get very little in the way of exports. The factories now working at only 85% of capacity will drop to 50% capacity. There will be no answer for unemployment, and so the unemployed will seek their own answers. The Johnson Administration, the worst in the history of democracy, will go down in disgrace if not in revolution. No country in the history of the world has been able to throw away its gold and avoid ruination. . . . A revaluation of gold could save the USA even yet. . . . If you want to protect your life savings, you'd better act fast.*

The present spate of strikes, zooming interest rates, restrictive money policies, speculation, and stock volume draw a frighteningly close parallel to the year 1929. The addition of our immense private debt and orbiting government deficits could combine in the tumble to guarantee one of history's most devastating financial debacles. Still it seems as if only a few people, those who read and study the works of free market economists like Professor Ludwig von Mises, Henry Hazlitt, F. A. Harper, and Professor Hans Sennholz, are aware of what is in store for the world economy. The rest, including the vast majority of bankers, stock brokers, and businessmen are in their ignorance supremely confident that everything is as splendid as the perpetual prosperity predicted by Herbert Hoover just before the stock market crash of 1929. As the highly authoritative American Institute for Economic Research asks:

> *How does it happen that supposedly responsible men in positions of great public trust have permitted this nation to approach international insolvency? If treason in high places is not the explanation, then the situation must be attributable to ignorance or disregard of principles. . . .*

* Many genuine monetary experts, of course, contend that even the Johnson Administration can't let the gold stampede continue and will devalue or place an embargo on gold sales. Such an embargo would constitute a *de facto* devaluation in which we would say gold is still $35 an ounce, but we won't sell any. This would be an admission by the Johnson Administration that America is now being run by liars and hypocrites. Since the world already knows that, perhaps even Mr. Johnson will see such an embargo as preferable to our being denuded of gold. An embargo would constitute *de facto* devaluation because a free market price for gold would emerge in the rest of the world and the price of gold would jump.

Typical of the attitudes of the conspiratorial sophisticates is that of Professor Walter Heller, economic advisor to President Kennedy and foremost exponent of the "New Economics," who recommends: "Invite the world 'to come and get it' as a demonstration that the dollar is not only as good as, but better than gold. . . . Devaluation is unthinkable. . . . We should expand our new reserve asset, the S.D.R.s, and at last free the world economy from its gold bondage."

Or note this, from the economic editorialist of the "Liberal" *New York Post:* "After all, is gold holding up the dollar or vice versa? The dollar is not only as good as gold, but better. It is backed by the greatest economy the world has ever seen. . . . The only thing behind gold is the dollar and the U. S. pledge to buy it at $35 an ounce. Otherwise it would probably sink to $10 an ounce or less."

Other such absolutely incredible nonsense continues to receive attention in our national Press almost daily. For instance, Sylvia Porter, a "Liberal" economic columnist who is syndicated in hundreds of papers, shows so much ignorance of the economics of precious metals that I think her fully capable of proposing alchemy as a solution to the gold drain. One would have thought she disgraced herself so badly in her comments on silver that she would never have the nerve to write a financial column again. One remembers that Miss Porter was predicting six weeks before the silver situation exploded in her face that the $1.29 price (current open market price: $2.10) would last for years. Sylvia Porter, alas, writes: "What will remain to back the dollar is what always has been its basic backing in modern times — namely, the enormous power of the U. S. economy."

What all these people are saying is really this: the great productivity of the U.S. economy guarantees the dollar and puts the foundation under gold. Of course, our economy *is* the producer of incredible wealth. But, the economy belongs to private individuals, not to the government. The government would have to seize the entire economy if it wanted to use it to back the dollar. That is called Communism, friend.

Maybe you knew it all along.

Also, it is not the gross that counts, it is the net. The richest, most productive person in the world can go broke if year after year he spends more than he produces. Some day such a man's banker will say, "We realize you are the most productive man in the world, but buddy you are broke and we want our money." In other words, gross productivity has nothing to do with solvency. Creditors are not interested in romantic stories about what you are worth, but what you can pay. America's creditors are nervous — they know it will be "first come, first served."

Does the dollar hold up gold? The world has demonstrated through November, December, and January that it has a high preference for gold, and U.S. Treasurymen are dashing back and forth across the world trying to plug up holes in the dike and pleading with everyone, "Please don't ask for gold."

Who bought the gold in November, December, and January? The United States? Not on your life. The United States does not gain one ounce of gold a year. It is *selling* gold. It is not buying any because it *can't get any* at $35 an ounce.

Nobody cares about the U.S. pledge to buy gold, they care about the pledge to sell it. They are gladly paying out U.S. dollars all over the world, thirty-five of them for every ounce. You can try writing the intellectuals at the *New York Post* and asking them to find these raiders some gold at that ten dollars an ounce they wrote about.†

† Enquiring souls might also check with charlatan economist Sylvia Porter to see if she will

Miners will tell you that they can't even get gold out of the ground at the $35 price which we set in 1934. Since then, the cost of living has tripled and nine thousand gold mines have been closed. Many of these mines will come back into production when the price of gold is allowed to rise to its free market price.

VII

THE REALLY AMAZING thing about all of the above is not that it is happening, terrible as the repercussions will be. We are, after all, by now all too used to seeing America sold out by the establishmentarians of the Far Left. What is incredible is that there has been next to no informed protest about it from the American business community.

To find out why, we set out to get some idea of the depth of knowledge of elemental free market economics possessed by America's bankers, stock brokers, and insurance men — those who most often give financial advice to American families. With the help of hard-working volunteers, we polled several thousand such gentlemen, asking fifteen key questions about basic economics.

Since most Americans under fifty have had their training in economics from Keynesians, it is not surprising that the financial advisors we queried were confused; but, Lord help the family accepting financial advice from the vast *majority* of these people. The small percentage who are well informed are aware of the gross ignorance of their colleagues, and as disturbed about the matter as we are.

Here's how bad it is among the financial experts: Less than ten percent of the financial advisors we contacted were familiar with the works of Professor Ludwig von Mises, the greatest living free market economist. Less than ten percent knew that Communist spy Harry Dexter White had been largely responsible for setting up the International Monetary Fund, and only one-fourth of the stock brokers opposed the I.M.F.'s "paper gold" [*sic*] proposals. Although almost sixty percent of the polled financial advisors regard themselves as "Conservative," only twenty-five percent of the stock brokers we queried opposed removing the gold backing of the dollar. Only about one-fourth of those in all categories understand that the massive government interference in the economy makes a depression more probable. And only twenty percent have refused to accept the propaganda that "devaluation is unthinkable." All of which proves that even in the world of finance, the majority just doesn't understand the system.*

As internationally respected financial analyst Harry Schultz put it in his newsletter of January 22, 1968:

> *Only perhaps 10% of the people have some inkling things are not right with the economy and money system. Of that 10%, only 10% really know what should be done; and, of that 10%, only 10% will actually do something about it for their own capital preservation. Over all that is 1/10 of 1% of the population who will do well during this turbulent money crisis.*

The captains of our debacle expect *us* to go down with the ship; they, however, are not all that foolish. During the month of January, five top Treasury officials resigned. They don't want to be there when our *Titanic* hits the ice. Those things the government should do, it is obviously not going to do.

If you can keep your head while those

sell them silver at the $1.29 price she so confidently boasted would last for years.

* Send a self-addressed stamped envelope for a complete breakdown of the results of this important poll to: Foundation for Economic and Social Progress, P.O. Box 353, Los Alamitos, California.

about you are losing theirs, you *can* protect yourself in the oncoming crisis. There are a number of things you can do.

First, you can religiously "hoard" silver coins which now have an intrinsic value of fifty percent above their face value. When real (silver) coins are gone, as they soon will be, rolls of dimes and quarters will be available from coin shops. Even though they will sell at a premium, they will be an excellent investment against both short-term inflation and the long-term inflation which we expect to end in a hyper-inflationary explosion. Also, while American citizens are forbidden to own gold, it is legal to own gold coins minted prior to 1934. If one chooses to play it safe, he stands an excellent chance of having his loss of interest made up in the increase in the value of such coins.

Silver bullion can be purchased on the New York spot market (take possession), but investors should be wary of the vastly over-extended silver futures market (which would probably be closed in the case of a monetary crisis). Safety-minded investors may also wish to investigate various ways of buying silver bullion on the London Metals Exchange through the Swiss banks*

Even should the stock market sink beneath the waves, gold and silver stocks will go in the opposite direction when the hyper-inflation hits and people panic into hard money. After the market bottoms out, bargain basement prices will be available to those who were judicious enough to protect their savings before the crisis hit. This was done in the Thirties by such people as Kennedy, Baruch, and Morganthau.

The "New Economics" have been used by our politicians to paint America into a corner from which we cannot escape without getting paint all over us. While we don't have to kick over the bucket, even the proper type of devaluation followed by elimination of our deficit balance of payments would still produce serious inflation. That will be the least price we will have to pay for the actions of our money manipulators in government—the other choices are both likely and more expensive.

The exact time of the crisis is of course impossible to foretell. Certainly President Johnson will do everything in his power to hold it off until after the election. If European countries can be conned or pressured into accepting the "paper gold" S.D.R.s, the collapse could be postponed for perhaps several years. However it can only be a postponement.

There is a sign over the entrance to the Notre Dame locker room which says: "When the going gets tough, the tough get going." America's enemies hope that the reality of our impending economic crisis will cause you to panic and hide. But God gave you a backbone, not a wishbone. And, as the man said, "This is It." You'd better get tough and you'd better get smart.

As tragic as the future is going to be for the cocktail party set which has "not had time" to find out what is going on in America, our nation *will* survive. Either the shock will help those of us who love our country to return her to a position as an incredibly prosperous nation where free men live by free trade, or we will all be slaves in a Communist tyranny brought on by economic collapse, foreign entanglements, civil war in our cities, and the enactment of totalitarian emergency executive powers that will never be lifted.

The choice depends on whether Americans are still tough, and whether the tough get going. ■ ■

* There is a strong rumor that is circulating around the London Metals Exchange and in Swiss banking circles that Lyndon Johnson has purchased $2 million in gold bullion through a secret Swiss bank account. It would be interesting to know how many of the government chieftains who are busy propagandizing the public that we will never devalue are doing the same thing.